**PROJECT OVERSIGHT REPORT**

**Medicaid Management Information System (MMIS)** **Report as of Date:**
**Department of Social and Health Services (DSHS)** February 2005

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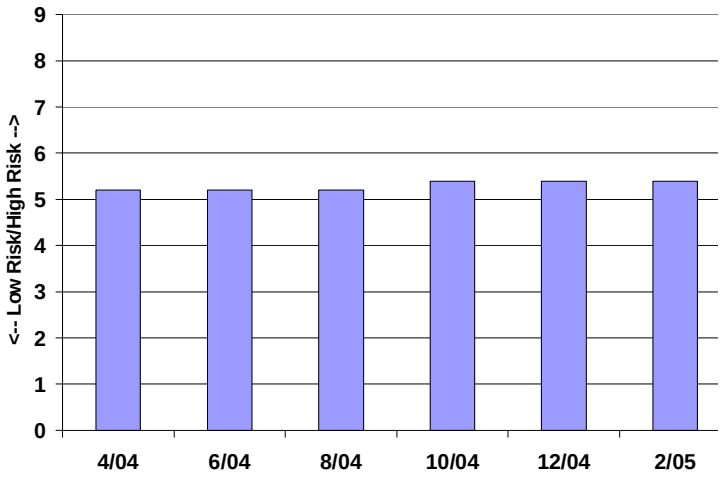
**Severity/Risk Rating:** High (high severity, high risk) **Oversight:** Level 3 – ISB

**Overall Project Risk Assessment**




**Report Synopsis:** The contract between DSHS and Client Network Services, Inc., (CNSI) of Rockville, Maryland was signed on January 18, 2005; work has begun. Prior to contract execution, a subcommittee of the ISB denied ACS' (the incumbent vendor) protest appeal. ACS elected to not pursue the issue in court.

**Staff Recommendations:** ISB oversight staff recommends:

- DSHS present an overview of the project at the May ISB meeting. The overview should include the project plan, schedule, and other critical controls and processes as well as any significant issues identified to date.
- The project team and QA should pay particular attention to the effectiveness of internal coordination and cooperation among the DSHS administrations; this project will have significant impacts on multiple administrations within DSHS. DSHS has made several fundamental architectural decisions regarding MMIS that will result in a consolidation of functions within this new system. Managing the myriad of relationships will be a challenge.

**Variances:**

- Schedule: None. The first five deliverables are due from CNSI in March. These include: work plan, risk management plan, issue resolution process, change control process, and communications and coordination plan.

- Budget/Cost: The most recent budget report through December 2004 shows a positive variance of $1,862,723 due primarily to underutilization of staff to date (66% of variance). DSHS expects a much higher utilization through the remainder of the fiscal year due to the joint application design sessions. DSHS projects that these sessions will fully expend the current surplus.

- Scope: None overall. However, the RFP requested a 3-phase approach to the project. DSHS, in consultation with CNSI, has made the decision to combine Phases II and III into a single phase in order to reduce the impact on providers, agency staff, and clients.
  - Phase I will replace the current MMIS functionality -which include most medical Medicaid payments and all nursing home payments.
  - Phase II will include payments for all other DSHS Medicaid and non-Medicaid services provided to DSHS clients.

- Resources: None.

**Risks/Mitigation Tasks:**

- This implementation will be CNSI's second implementation of its system. The first implementation was in Maine, which is in the very early stages of production. CNSI is also bidding on at least one other state MMIS replacement. There is a risk that CNSI may either dilute its resources or not have fully qualified resources assigned to the MMIS project in Washington. This risk has been identified in the February 9, 2005 QA report, Appendix A – Risk Identification and Mitigation Matrix, #6. A copy of the appendix has been included with this report.

Project management has identified and is tracking the following risks:

| ID | Risk | Probability/ Severity | Mitigation Strategy | Status/Comment |
|---|---|---|---|---|
| 1 | Costs higher than budget | Med/ High | ▪ Perform budget assessment<br>▪ Carefully evaluate options and next steps, if any or all are over budget<br>▪ Consider BAFO process to reduce costs and minimize impact on schedule | **Mitigation tasks complete; CMS approved DDI budget; state approval of errata budget for supplemental request and next biennium pending** |
| 2 | Selection of an unproven technology or vendor | Med/ High | ▪ Evaluate need for an "MMIS" expert as a resource (if unproven vendor)<br>▪ Select a technically strong Technical Evaluation Team<br>▪ Interview the vendor's technical staff to clarify any concerns regarding architecture/solution | **Mitigation tasks complete (continue to monitor)** |
| 3 | Contract not enforced/followed | High/ High | ▪ Assign full-time Contract Administrator for DDI and Operations and Maintenance Phases | **Mitigation tasks complete; Contract Legal Specialist assigned as Contract Administrator (continue to monitor)** |

| ID | Risk | Probability/ Severity | Mitigation Strategy | Status/Comment |
|---|---|---|---|---|
| 4 | On-going policy changes that impact ACES, SSPS and MMIS during DDI | High/ Med | ▪ Provide Legislative updates geared to minimizing changes in 10/04, 3/05 and 10/05<br>▪ Update ISB and OFM management of strategy to minimize changes via legislative updates<br>▪ Establish system freeze date with vendor | **On-going tasks (continue to monitor)** |
| 5 | Vendor uses change order process for items promised verbally (in interviews/demos) or that are in the transfer system, but not explicitly asked for by Washington | High/ High | ▪ Write RFP requiring vendor to explicitly agree to providing all functionality from the transfer system, regardless of RFP system requirements<br>▪ Videotape demos/orals to document verbal assertions<br>▪ Use BAFO or similar process to require vendor to document all features and functionality either identified or otherwise included in the scope of the proposed system offering | **Mitigation tasks complete (continue to monitor)** |
| 6 | ACES Changes – competing resources, adequate staff to analyze | High/ High | ▪ Escalate prioritization to ESC, if needed<br>▪ Identify placeholder for Automated Work Request (AWR) to begin 6/30/05<br>▪ Hire full-time Interface Manager<br>▪ Communicate regularly w/ACES management | **Mitigation tasks complete (continue to monitor)** |

| ID | Risk | Probability/ Severity | Mitigation Strategy | Status/Comment |
|---|---|---|---|---|
| 7 | Aggressive schedule | High/ High | ▪ Work with CMS to extend schedule into "contingency year"<br>▪ Enlist vendor support to develop a realistic schedule<br>▪ Make oversight entities and stakeholders aware of schedule constraints<br>▪ Inform oversight entities and stakeholders immediately of schedule slippage | **Mitigation tasks complete (continue to monitor)** |
| 8 | Budget tracking – uneven burn rates based on vendor deliverables | High/ High | ▪ Forecast expenditures against budget based on planned activities/ deliverables (do not assume even burn rates)<br>▪ Include actuals/accruals/ budget amounts, as well as forecast in monthly budget reports | **Mitigation tasks complete (continue to monitor)** |

**New MMIS Technology:** The current vendor, ACS, operates the MMIS system. The proposed systems will again operate in a facilities management (FM) arrangement. IBM is the proposed FM subcontractor providing these services. CNSI/IBM is proposing running the new MMIS system at three locations. The main production facility will be the IBM data center in Boulder, Colorado, the Disaster Recovery and Integrated Test Facility will operate in IBM's Southbury, Connecticut facility, and the Interactive Voice Response (IVR) and telephony servers will be located at DSHS facilities in Olympia.

The proposed application will run in a UNIX environment and make use of CNSI's eCAMS MMIS core software, iChoice rules engine, Oracle 11i financials, MedStat decision support system, and pharmacy point of sale software from GHS Data Management.

**Budget:** The budget for design, development, and implementation for all phases is $77.1 million. The contract with CNSI includes design, development, and implementation as well as ongoing system maintenance and operations. The term of the contract is 8 years. The total value of the contract is $178,212,919.

**Schedule:**

| Milestones / Phases | Baseline Start | Actual Start | Baseline Finish | Actual Finish |
|---|---|---|---|---|
| Requirements Analysis | 9/03 | 9/03 | 2/04 | 2/04 |
| RFP Release and Vendor Selection | 7/1/04 | 6/14/04 | 10/1/04 | 10/12/04 |
| Negotiate Contract/CMS Approval | 10/1/04 | 10/13/04 | 1/18/05 | 1/12/05 |
| Infrastructure Upgrade | 7/04 | 7/04 | 12/06 | |
| Design – Planning and Start-up Activities | 1/18/05 | 1/18/05 | 3/10/05 | |
| Design – Requirements Specification | 3/4/05 | | 7/5/05 | |
| Design – General and Detailed Design | 5/27/05 | | 12/23/05 | |
| Development | 4/27/05 | | 11/06/06 | |
| Testing | 7/05/05 | | 3/27/06 | |
| Operational Readiness | 1/12/05 | | 6/30/07 | |
| • Phase 1: replace existing MMIS<br>• Phase 2: migrate remaining Medicaid and selected non-Medicaid payments | 1/18/05<br>7/1/07 | | 6/30/07<br>6/30/09 | |
| Certification | 7/01/07 | | 3/05/08 | |
| Maintenance and Operations | 7/01/07 | | 12/30/12 | |
| Next Procurement | 12/30/12 | | | |

## Background Information

Washington's MMIS is a 1970's legacy system comprised of over 1400 programs and 3,000,000 lines of COBOL code. As with most of these types of systems, it is a VSAM flat file application that relies on extensive hard coded program logic. It was designed to support a single benefit, fee for service Medicaid program. Even routine policy and maintenance updates require program changes and modifications to the data structure, and require recompiling numerous programs followed by significant regression testing.

The Washington MMIS contract was awarded to Consultec Inc., (now ACS State Healthcare) in 1982; ACS imported Iowa's 1970s vintage MMIS system. Washington's MMIS became operational in 1983. Following a competitive procurement process for ongoing operations in 1989, the contract was again awarded to ACS.

The system is a CMS certified MMIS with the six subsystems required by the State Medicaid Manual. Added functionalities include: a pharmacy point of sale (POS) system for processing drug claims and a decision support system (DSS) to support ad hoc reporting, MARS (Management and Administrative Reporting System (decision support)) and SURS (Surveillance and Utilization Review Subsystem (fraud)) reporting, and the Payment Review Program.

The MMIS processes over 24 million claims annually and pays over $3 billion to participating Medicaid providers. The principal transactions are: fee for service claims (over 85% are submitted electronically); and, capitation payments to managed care plans on behalf of enrolled Medicaid clients.

Major improvements/enhancements to the system since 1989 include:

- 1991 Drug rebate subsystem implemented
- 1993 Primary Care Options Program (PCOP) implemented to support MAA's focus on maximizing managed care for Medicaid clients
- 1996 Pharmacy point of sale (POS) system implemented
- 1999 Access to the MMIS migrated from IBM 3270 terminals to the MAA LAN. A computer output to laser disc (COLD) system installed for electronic storage and retrieval of standardized MMIS reports
- 2000 DSS implemented
- 2001 OMNITRACK call management system implemented
- 2002 PRISM pharmacy benefit management program implemented

At a special Board meeting held via conference call on April 28, 2003, the ISB approved DSHS' investment plan and authorized DSHS to release the MMIS RFP.